

# **EXHIBIT 1**

**UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

|                            |   |                       |
|----------------------------|---|-----------------------|
| In re:                     | ) | Chapter 9             |
|                            | ) |                       |
| CITY OF DETROIT, MICHIGAN, | ) | Case No. 13-53846     |
|                            | ) |                       |
| Debtor.                    | ) | Hon. Steven W. Rhodes |

**FEE EXAMINER'S FINAL MONTHLY REPORT REGARDING ERNST & YOUNG  
OCTOBER-DECEMBER 2013 MONTHLY INVOICES**

Robert M. Fishman, the duly appointed fee examiner (the "Fee Examiner"), presents this Final Monthly Report regarding the October-December 2013 Monthly Invoices of Ernst & Young LLP ("EY") (the "Invoices") pursuant to paragraph 7 of the Court's Fee Review Order dated September 11, 2013 [Docket No. 810] (the "Fee Review Order"): <sup>1</sup>

**Background**

1. Pursuant to the Order Appointing Fee Examiner dated August 19, 2013 [Docket No. 383] (the "Appointment Order"), the Court appointed Robert M. Fishman as the Fee Examiner in connection with the above-captioned bankruptcy case. According to the Appointment Order, it is the Fee Examiner's responsibility to assure the Court, the City, the creditors, and the public that the City's Professional Fee Expenses (as defined in the Appointment Order) are fully disclosed and are reasonable, as required by 11 U.S.C. § 943(b)(3).

2. Pursuant to paragraph 1 of the Fee Review Order, the City and the Committee have identified the following City Professionals and Committee Professionals, whose Professional Fee Expenses are subject to review by the Fee Examiner:

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meaning assigned in the Fee Review Order.

| <b>City Professionals</b>                 | <b>Committee Professionals</b>                  |
|---|---|
| Conway MacKenzie, Inc.                    | Dentons US LLP/Salans FMC SNR Denton Europe LLP |
| Ernst & Young LLP                         | Brooks Wilkins Sharkey & Turco PLLC             |
| Jones Day                                 | Lazard Freres & Co. LLC                         |
| Foley & Lardner LLP                       | Segal Consulting                                |
| Kurtzman Carson Consultants LLC           |   |
| Miller Buckfire & Co. LLC                 |   |
| Miller, Canfield, Paddock & Stone, P.L.C. |   |
| Milliman, Inc.                            |   |
| Pepper Hamilton LLP                       |   |
| Kilpatrick & Associates, PC               |   |
| Dykema Gossett, PLLC                      |   |
| Ottewess, Allman & Taweel, PLC            |   |

3. Pursuant to paragraph 4 of the Fee Review Order, the Professionals are required to submit monthly invoices to the Fee Examiner within 49 days after the end of each calendar month. EY transmitted its October Invoice to the Fee Examiner on December 19, 2013. EY transmitted its November Invoice to the Fee Examiner on January 21, 2014. EY transmitted its December Invoice to the Fee Examiner on February 17, 2014.

4. In response to each of the EY monthly invoices and in accordance with the Fee Review Order, the Fee Examiner submitted preliminary reports to EY. Specifically, the Fee Examiner issued and transmitted (i) an October 2013 Preliminary Report (the “October Preliminary Report”) to EY on January 30, 2014, (ii) a November 2013 Preliminary Report (the “November Preliminary Report”) to EY on March 7, 2014, and (iii) a December 2013 Preliminary Report (the “December Preliminary Report”) to EY on April 4, 2014. Following the transmittal of the preliminary reports, EY and the Fee Examiner engaged in Resolution Discussions in an effort to resolve the Fee Examiner’s various comments and questions regarding the EY invoices.

5. As a result of the Resolution Discussions, EY agreed to make certain adjustments to its invoices and also provide additional information to the Fee Examiner. On July 10, 2014,

EY sent revised November and December Invoices to the Fee Examiner. On July 25, 2014, EY sent a revised October Invoice to the Fee Examiner. Subsequent to his receipt of these revised Invoices, the Fee Examiner was able to complete his review of the October, November and December Invoices of EY. Accordingly, pursuant to paragraph 7 of the Fee Review Order, the Fee Examiner submits this Final Monthly Report regarding the EY July, August and September Invoices.

### **Summary of EY Invoices**

6. Attached to this Final Monthly Report (as Exhibits A-C, respectively) are copies of the final, redacted (as applicable) October, November and December Invoices of EY, which have been revised based on the October, November and December Preliminary Reports and Resolution Discussions between the Fee Examiner and EY.

### **EY October Invoice (Exhibit A)**

| Initial Voluntary Discounts                    | Professional Fees Charged at 65% of EY<br>Standard Rates; Non-Working Travel<br>Time Capped at 2 Hrs; Meals Not Billed. |
|--|---|
| Original Fee Request                           | \$1,736,492   |
| Agreed Fee Write-Offs                          | (\$15,672)  |
| Revised Fee Request After Agreed Write-Offs    | \$1,720,820   |
| 10% Contractual Fee Hold-Back <sup>2</sup>     | (\$172,082)   |
| Additional Voluntary Fee Reduction             | (\$0)   |
| Final Fee Request (w/o Hold-Back)              | \$1,720,820   |
| Interim Fee Request (w/ Hold-Back)             | \$1,548,738   |
| Original Expense Request                       | \$99,047  |
| Additional Voluntary Expense Reduction         | (\$250)   |
| Final Expense Request                          | \$98,797  |
| Total Fee and Expense Request (w/o Hold-Back)  | \$1,819,617   |
| Interim Fee and Expense Request (w/ Hold-Back) | \$1,647,535   |

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<sup>2</sup> Under the terms of EY's engagement agreement with the City, the monthly fees of EY are "subject to a 10% holdback that will be payable upon the confirmation of a Plan of Adjustment of Debts by the Bankruptcy Court by December 31, 2014. In the event a Plan of Adjustment of Debts is not confirmed by December 31, 2014, the cumulative holdback amount will not be payable."

7. In the October Preliminary Report, the Fee Examiner identified several issues and suggested revisions related to (i) certain time entries that lacked the requisite detail and context to permit an outside reviewer to understand the services that were performed, and (ii) particular time entries that appeared to reflect inconsistencies with other time entries. In addition, the Fee Examiner requested a clarification on EY's staffing for a particular category of its services, and he also asked EY for its confirmation that certain EY timekeepers were billing in tenth of an hour increments as opposed to half hour increments.

8. Through its response to the October Preliminary Report and its various Resolution Discussions with the Fee Examiner, as detailed above, EY has addressed the Fee Examiner's concerns, provided the requested clarification and confirmation, and it has revised its October Invoice accordingly. Consequently, EY has fully complied with the terms of the Court's Fee Review Order for the compensation period of October 2013.

**EY November Invoice (Exhibit B)**

| Initial Voluntary Discounts                       | Professional Fees Charged at 65% of EY Standard Rates; Non-Working Travel Time Capped at 2 Hrs; Meals Not Billed. |
|---|---|
| Original Fee Request                              | \$1,252,779   |
| Agreed Fee Write-Offs                             | (\$5,997)   |
| Revised Fee Request After Agreed Write-Offs       | \$1,246,782   |
| 10% Contractual Fee Hold-Back ( <i>see</i> fn. 2) | (\$124,678)   |
| Additional Voluntary Fee Reduction                | (\$10,000)  |
| Final Fee Request (w/o Hold-Back)                 | \$1,236,782   |
| Interim Fee Request (w/ Hold-Back)                | \$1,112,104   |
| Original Expense Request                          | \$74,537  |
| Additional Voluntary Expense Reduction            | (\$37)  |
| Final Expense Request                             | \$74,500  |
| Final Fee and Expense Request (w/o Hold-Back)     | \$1,311,282   |
| Interim Fee and Expense Request (w/ Hold-Back)    | \$1,186,604   |

9. As he did in connection with the October Invoice, the Fee Examiner identified several issues and suggested revisions to the November Invoice that related to certain vague and insufficient time entries and certain other time entries that appeared to be inconsistent with other time entries. The Fee Examiner also requested (i) specific detail regarding home origin points of EY professionals with regard to ground transportation and air travel expenses; (ii) EY's reexamination of its categorization of time entries in the "Historical Performance Analysis" category of services; and (iii) a description of (and EY's consideration of an appropriate modification to applicable category descriptions that cover) the work performed in connection with the City's brownfields.

10. Through its response to the November Preliminary Report and its various Resolution Discussions with the Fee Examiner, EY has addressed the Fee Examiner's concerns, provided the requested detail and description, and it has revised its November Invoice accordingly. Consequently, EY has fully complied with the terms of the Court's Fee Review Order for the compensation period of November 2013.

**EY December Invoice (Exhibit C)**

| Initial Voluntary Discounts                       | Professional Fees Charged at 65% of EY Standard Rates; Non-Working Travel Time Capped at 2 Hrs; Meals Not Billed. |
|---|---|
| Original Fee Request                              | \$1,012,759   |
| Agreed Fee Write-Offs                             | (\$2,739)   |
| Revised Fee Request After Agreed Write-Offs       | \$1,010,020   |
| 10% Contractual Fee Hold-Back ( <i>see</i> fn. 2) | (\$101,002)   |
| Additional Voluntary Fee Reduction                | (\$35,000)  |
| Final Fee Request (w/o Hold-Back)                 | \$975,020   |
| Interim Fee Request (w/ Hold-Back)                | \$874,018   |
| Original Expense Request                          | \$44,087  |
| Additional Voluntary Expense Reduction            | (\$119)   |
| Final Expense Request                             | \$43,968  |
| Final Fee and Expense Request (w/o Hold-Back)     | \$1,018,988   |
| Interim Fee and Expense Request (w/ Hold-Back)    | \$917,986   |

11. The December Preliminary Report contained a spreadsheet identifying specific issues and suggested revisions to certain time and expense entries that were vague, incomplete or inconsistent with other time and expense entries. The December Preliminary Report also contained a narrative that raised general issues with the December Invoice and (i) requested information on EY's engagement agreement with the City on expert witness services; (ii) raised concern over the amount of compensation sought by EY in order to comply with the Fee Review Order; and (iii) requested a verification regarding the authorship of the time entries contained in the December Invoice.

12. Through its response to the December Preliminary Report and its various Resolution Discussions with the Fee Examiner, EY has addressed the Fee Examiner's concerns, and it has revised its December Invoice accordingly. Consequently, EY has fully complied with the terms of the Court's Fee Review Order for the compensation period of December 2013.

Respectfully submitted,

Dated: September 18, 2014

By: /s/ Robert M. Fishman  
Robert M. Fishman, Fee Examiner.

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